

Very Interesting

Stanley Greenfield, RHU

Since January of 1996, I have been an adjunct professor at New York Chiropractic College in Seneca Falls, NY. I teach an 8th tri class called Small Business Management Seminar. It has to do with how to get a practice up and running and keep it going. We deal with everything from developing a business plan to hiring staff and marketing your practice. We also take a very close look at one big problem that most students face today: student loans. My basic advice to the students is to opt for the longest payoff, which is 30 years.

Before you get upset over that advice, let me explain why. My classes know that I have two favorite words. One of them is flexibility. That's right, flexibility. And that's what a 30 year payoff can buy you -- flexibility. Yes, it gets you a lot of interest, but who said you are going to take 30 years to pay it off? In the beginning, you need the lower payments so you can be flexible. You can always pay off a 30 year loan early; it's called being smart. If you opt for the 10 year loan and miss a payment because you cannot afford it, it's called being in default. That's not very smart. Now do you understand?

Now a new wrinkle has come forward. You may have received a card in the mail or heard about this. I was fortunate enough to have a lengthy conversation with its discoverer, Dr. David Klein. Dr. Klein was kind enough to share some information on his idea with me, and I plan to share that information with my students at NYCC.

Dr. Klein was like most of you who graduated with large hopes and a large student loan debt. Unfortunately, the loan debt grew at a faster rate than his practice did. He did a lot of digging and came up with a real gem that could in fact save many of you thousands of dollars in student loan debt and add a new word to your vocabulary: flexibility. By the way, before I go any further, let me suggest that if you want all of the information on Dr. Klein's idea, you need to call him at (800) 833-9893, and hear his five minute tape on his idea. He also sells a book on this idea.

This is not an off-the-wall idea that will get you in trouble. It is a program that is in place under the United States Department of Education, designed to help individuals who are burdened with student loans. Does this sound like you? The loans must be federally insured to qualify for this program. Dr. Klein went under this program in 1995 and was one of the first people to take advantage of the plan.

Once you are under the program, your payments are based on your income. It works like this. They take your adjusted gross income from your tax return and subtract \$10,000. Then they take 20% of the balance and divide that number by 12. That determines your monthly payment.

Let's assume that your A.G.I. is \$40,000. Subtract \$10,000, which leaves you with \$30,000. Twenty percent of that is \$6,000. Divide that by 12, and you are left with a monthly payment of \$500.00. It doesn't matter what the amount of the loan is. Once under the program, the interest on your loan is simple interest, not compound. If your adjusted gross income is under \$10,000, your payment under this plan is 0. Payments under this plan will never exceed what they would on a 25 year payback.

I pulled a few files on my clients to see how this program would benefit them and here are the numbers. One DC had an A.G.I. of \$51,000. After subtracting \$10,000 and taking 20% of the rest, his payment would be \$683.33 per month. He is now paying \$715.00. Another with an A.G.I. of \$28,000 ended up with a payment of just \$300.00 per month, compared to his payment now of \$510.00. As your income goes up, so do your payments. At the end of 25 years under this plan, if there is still a balance on your loan, it is forgiven. If your practice shrinks, so do your payments.

Is this a plan for everyone? You need to do two things to determine that. First, call Dr. Klein, then do the math and see which is best for you. Believe me when I say that the book is a very cheap investment for the potential return. Are you one of those who is always screaming about your student loans? Well, now you have something you can do about it!

Stanley Greenfield, RHU
Rockville, Maryland

DECEMBER 1996